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VULCAN CORPORATION

ANNUAL REPORT 1968

HIGHLIGHTS OF 1968

	1968	1967	% OF CHANGE
NET SALES	$29,648,125	$21,436,477	+38.3
NET EARNINGS	1,548,547	1,141,677	+35.6
AFTER TAXES EARNINGS PER SHARE COMMON	1.59	1.17	+35.9
COMMON DIVIDENDS PER SHARE	.391	.333	+17.4

58th Annual Report for the Year Ended December 31, 1968

STOCK TRANSFER AGENTS
The First National Bank of Cincinnati, Cincinnati, Ohio
Chemical Bank, New York, New York

REGISTRARS
The Central Trust Company, Cincinnati, Ohio
Chemical Bank, New York, New York

AUDITORS
J. D. Cloud & Company, Cincinnati, Ohio
Wipfli, Ullrich & Company, Wausau, Wisc.
Clarkson, Gordon & Co., Kitchener, Canada

LEGAL COUNSEL
Brown & Gettler, Cincinnati, Ohio

vulcan

TO THE SHAREHOLDERS:

In 1968 your company recorded further impressive gains in its continuing pattern of growth. For the fifth consecutive year sales and earnings increased to new record highs and dividends were increased for the fourth straight year. Three acquisitions broadened the base of corporate operations and a 2.25 million dollar capital improvements program was initiated to expand capacity, develop new levels of efficiency and to help fight the cost price squeeze affecting all business today. New product development was

VULCAN CORPORATION ANNUAL REPORT 1968

J. W. BROWN
Chairman of the Board

L. B. AUSTING
President

March 20, 1969

emphasized and it is expected one promising new item will be ready for limited production before the end of the first half of 1969. Further acquisition possibilities are constantly being evaluated both in present lines and non-related fields.

EARNINGS

Profits for the year after taxes were $1,548,547 which amounts to $1.59 per share on the common stock after payment of dividends on the preferred stock. These figures compare to earnings of $1,141,677 or $1.17 per share in 1967, and $796,047 or $.81 per share in 1966, after adjusting as applicable for the 5% stock dividend paid May 15, 1968, and for the 2 for 1 split in the common stock effective June 2, 1967. The 1968 profits were also subject to the 10% surcharge which was not applicable to earlier years' earnings and which amounted to 13.5c per share in 1968.

FINANCIAL

Net working capital at December 31, 1968, was $3,361,732 compared to $3,940,934 in 1967. 194 shares of $3.00 prior preferred and 153 shares of $4.50 cumulative preferred stock were purchased and retired. Options on 2,415 shares of common stock were exercised and there remain outstanding, options on 1,260 shares. Capital expenditures, exclusive of acquisitions, amount to $2,191,897, whereas total depreciation was $972,348.

SHOE PRODUCTS

Expansion through acquisition and internal development highlighted the year's activities in the shoe products division. Two companies were purchased for cash, two new operations were started, and a 2.25 million dollar capital improvements program for expanding and automating existing shoe heel and last operations was authorized. As a result, your company is more solidly entrenched in existing markets, better prepared to meet the ever-changing demands of the shoe industry, and better able to meet the challenge of inflationary cost increases.

Acquisitions

Dix Heel Company, Inc., of East Rochester, New Hampshire, a finisher of women's fashion heels in northern New England with sales of over one million dollars, was purchased in July. This operation complements our other heel finishing plants in southern New England. Also acquired in July was Penn-Service Heel Co., Inc. of East Berlin, Pennsylvania. This supplier of heels to the high fashion market

of New York and Pennsylvania, with sales of $750,000, was consolidated with our existing plant in Hanover, Pennsylvania, during the latter part of the year thereby greatly strengthening the operation.

New Operations

During the second quarter a shoe last remodeling unit employing a new production concept was started at Walnut Ridge, Arkansas. It replaced a small unit that had been started in Vandalia, Illinois. The floor space in the Walnut Ridge plant was increased by thirty percent and by year end the remodeling plant was prepared for full operation. In December an injection molding operation was established in the Montreal, P. Q. plant to supply plastic heels to the Canadian market. This plant will improve service, reduce inventories, and eliminate duty on the heels previously imported from the corporation's heel molding plants in the United States.

Expansion of Capacity and Automation

Your Board of Directors authorized the expenditure of 2.25 million for capital improvements to increase manufacturing capacity and efficiency. As a part of this program a new heel finishing plant was opened in a modern, one-floor structure which we purchased in Amesbury, Massachusetts. Operations began there in September and by year end three similar operations that had previously been conducted in the area at Lawrence and Amesbury, Massachusetts were merged there. Improved molding machines and automated handling equipment were added at Amesbury and Lawrence, Massachusetts; Blanchester, Ohio; and Kenton, Tennessee, heel molding plants. Twenty-two high-speed, hydraulically controlled shoe last turning lathes were ordered in Italy for installation in the corporation's five plastic shoe last plants in the United States and Canada. Building additions to provide for increased capacity and improved work flow were completed in Walnut Ridge, Arkansas, and Kenton, Tennessee, and at our subsidiaries, Canada Last Company, Ltd., Preston, P. O.; Amesbury Plastics, Inc., Amesbury, Massachusetts; and Penn-Vulcan Heel Company, Hanover, Pennsylvania.

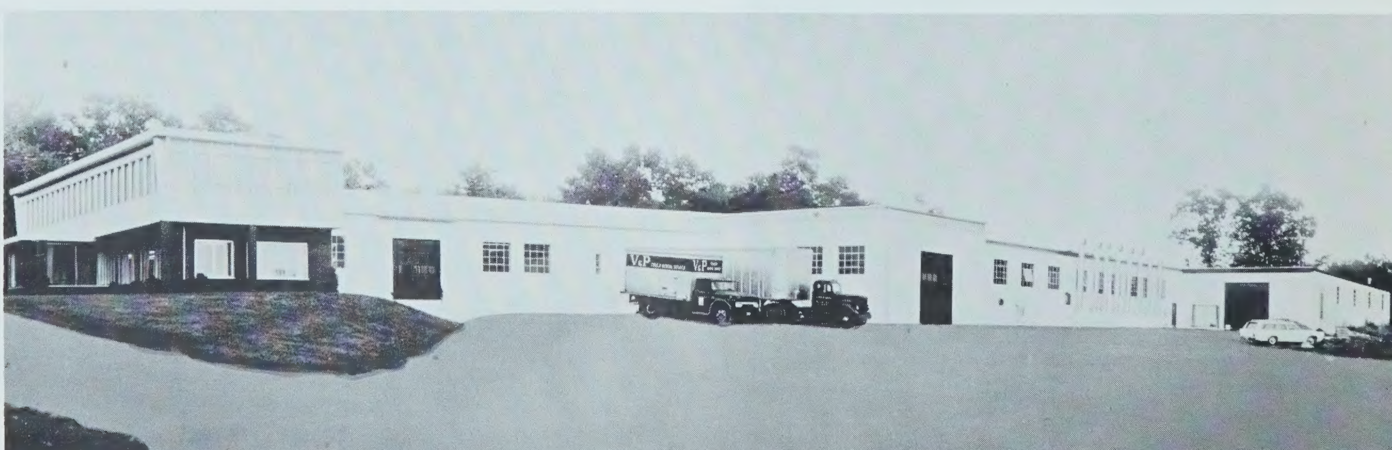
The last phase of this program involved procurement of an industrial site in Brockton, Massachusetts, and development of plans for a sixty thousand square foot building to house the manufacturing operations of our subsidiary, George E. Belcher Company, a manufacturer of new lasts, and Brockton Last Remodeling Corporation. This building should be completed during the summer of 1969.

SPORT PRODUCTS

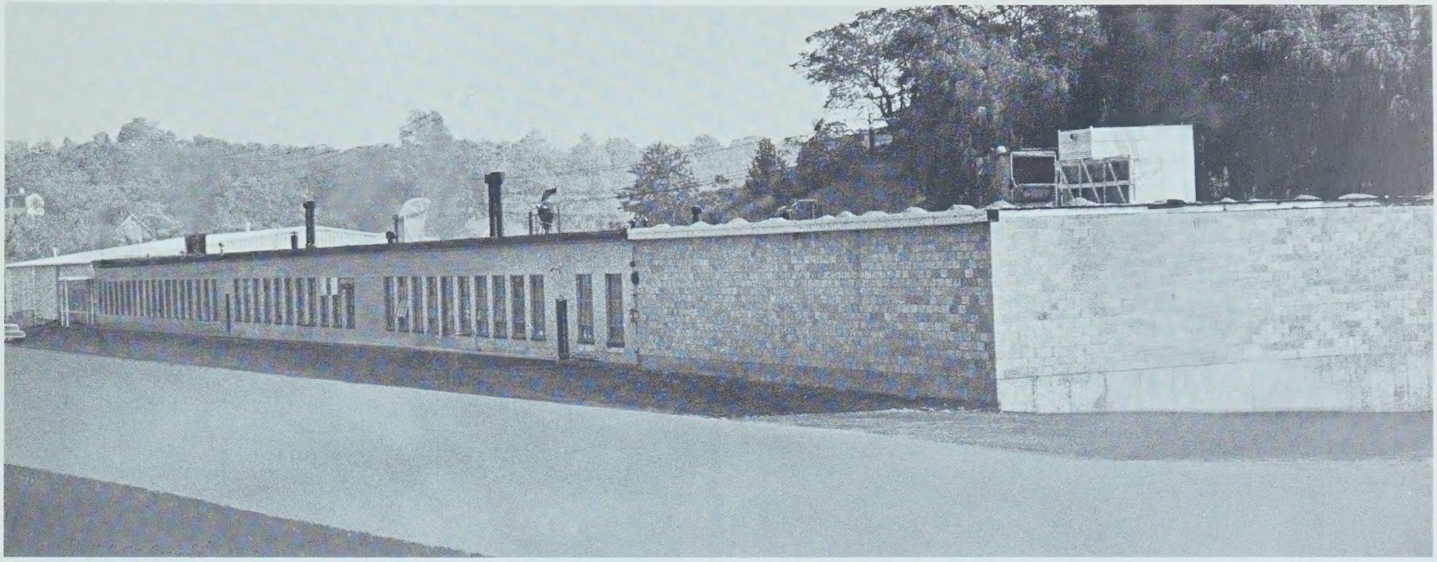
In February, the assets of Dura-Mark bowling pin division of Ripley Industries, St. Louis, Missouri, were purchased. Production of the Dura-Mark pin has been continued and it is sold in competition with our established brand, the Vulcan Nyl-Tuf Supreme bowling pin. Sales of the two brands have been expanded throughout the United States and the rest of the world wherever ten-pin bowling is prevalent. Before acquisition, the Dura-Mark pins were manufactured in Hancock, Michigan, and shipped to St. Louis where they were coated with plastic. The Hancock plant, which is about 150 miles from our Antigo, Wisconsin plant, and within 15 miles of our timber holdings in Michigan's upper peninsula, has been continued while the plastic coating operation in St. Louis was transferred to Antigo, Wisconsin.

PLASTIC PRODUCTS

The corporation sustained heavy expenditures in research and development work on a new plastic product for the shoe industry. The component, when perfected, will enable the shoe manufacturer to improve both the appearance and quality of the finished shoe while reducing the number of manufacturing operations required to produce the shoe. The product will undergo wear-testing during the first half of 1969 with a target date for initial production of June 1.

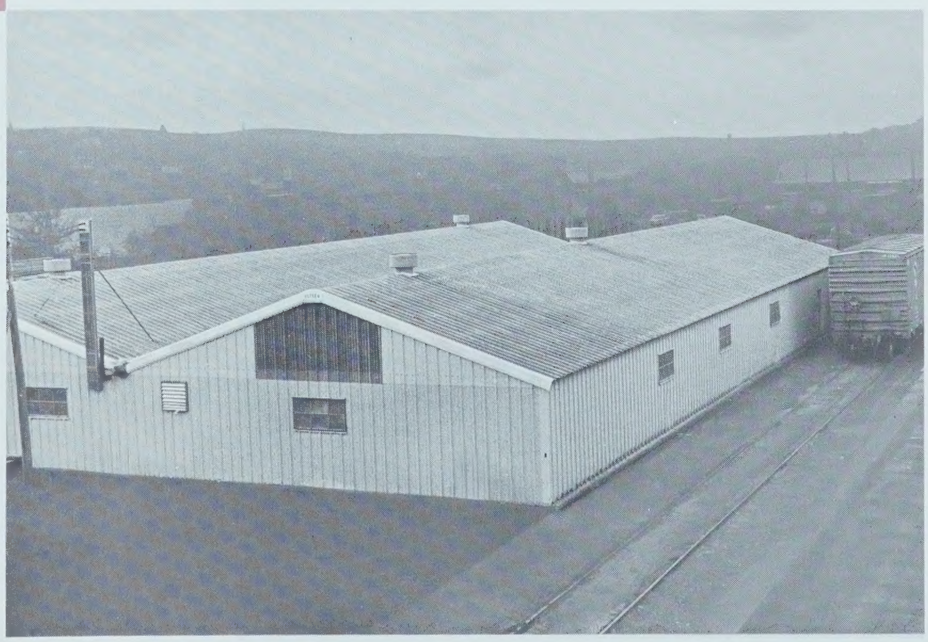


Amesbury Heel Finishing plant began operations in September in this 35,000 square foot building on an 8-acre tract adjoining I-495, Amesbury, Massachusetts. Three heel finishing operations were consolidated in this modern, one-floor conveyorized plant.



A 10,000 square foot addition was completed at Amesbury Plastics, Inc. in December. This plant molds and finishes vinyl heels for women's and children's shoes. The addition, which increases floor space by 35%, houses automated material-handling equipment, a refrigeration system that speeds molding cycles and reduces water usage, and a conveyorized spray room.

Dura-Mark production facility, Hancock, Michigan, acquired in February, 1968. This 25,000 square foot, fully conveyorized plant with three dry kilns, laminates Dura-Mark billets for shipment to the Antigo, Wisconsin plastic coating plant.



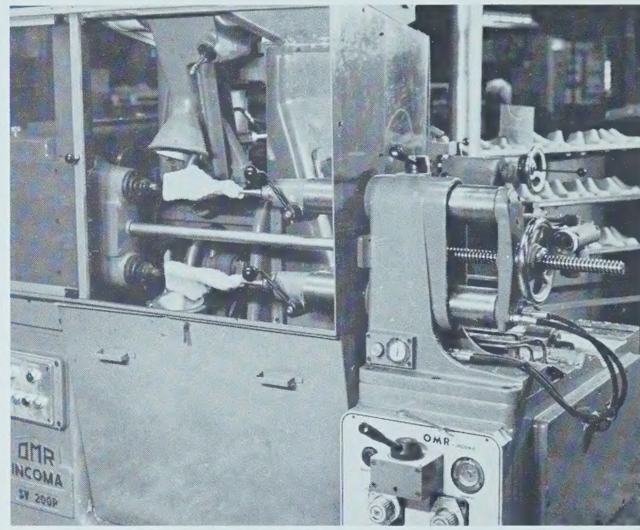
FOREST PRODUCTS

The corporation retains ownership of 13,903 acres of timber and land, and cutting rights to 13,206 acres of timber. This hardwood timber is located in the upper peninsula of Michigan and is steadily increasing in value through growth and appreciation. The timber is being managed to achieve maximum benefit to the corporation.

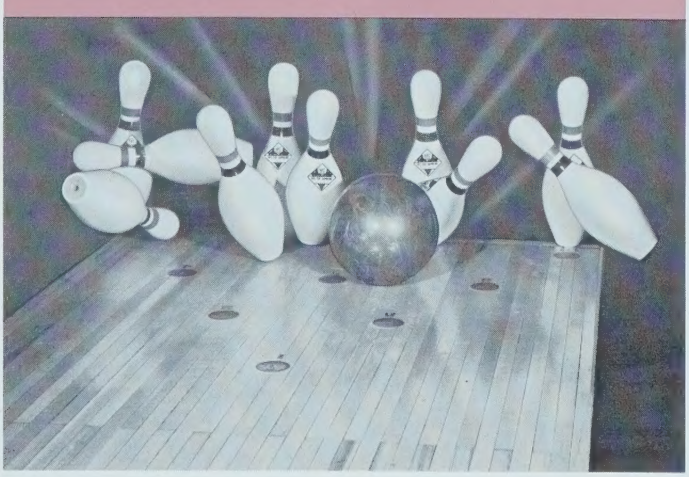
NOTES AND COMMENTS

As was pointed out elsewhere in the report, a large amount of money was authorized and a sizeable portion of the authorization spent to increase our ability to service our customers in an efficient manner. Little advantage accrued to the corporation in 1968 from these expenditures either because the systems were not fully operative or because the equipment installations were not completed at year end. This resulted in heavier than normal depreciation charges and operating expenses, particularly during the last quarter, without the offsetting gains in productivity. To a smaller degree the same condition will prevail in the first quarter of 1969, until the various systems and equipment become fully operational. An unexpected slowdown in the shoe business during the latter part of the fourth quarter, which is contrary to normal seasonal experience, reduced both sales and profit margins during this period. All signs indicate this will continue through much of the first quarter with recovery and resumption of normal business following thereafter.

One of 22 precision shoe last turnings imported from Italy. These lathes speed production, improve quality and reduce scrap loss. The addition of this equipment helps the Corporation shorten delivery schedules to meet the fast fashion changes of the Shoe Industry.



Another strike on Vulcan pins! An oft repeated scene on bowling lanes throughout the world. In the last bowling season, one out of four ABC-sanctioned 300's were rolled on Vulcan brand pins, as were the first and second highest three-game individual series — an 852 and an 846. Action such as this has developed bowler satisfaction and proprietor loyalty, as evidenced by a recent letter from Bob Gall, Owner, Strike 'N Spare Bowl, Independence, Missouri: "Enclosed is article from Kansas City Star bowlers column. This was the highest series shot in Kansas City since 1938. Needless to say, team was shooting against Vulcan pins (what other kind is there)."



In September, Mr. Stanley Shebuski, who had served the corporation as Vice President — Timber since 1967, retired after 36 years of service. He will be available to the corporation for consultation on timber matters. Mr. Joseph B. Reynolds, who has served as a Director, President, Chairman of the Board and Chairman of the Executive Committee during his 28 years' association with the corporation, has informed the Board he wished to retire as a Director and therefore would not stand for reelection at the end of the current term. Mr. Reynolds will be named Director Emeritus and thus his advice and counsel will continue to be available as needed.

The devotion to duty and long years of service by each of these men typifies the attitude of the Vulcan organization. We wish to express appreciation not only to Mr. Shebuski and Mr. Reynolds, but to all employees for their sense of dedication, and to our customers for their continuing support and loyalty.

Our strong organization, improved manufacturing facilities and fine customer relations provide the foundation for building 1969 into another year of success and progress for the corporation.

Respectfully submitted,
VULCAN CORPORATION

J. W. Brown	Lawrence B. Austing
Chairman of the Board	*President*

By Order of the Board of Directors

VULCAN CORPORATION

Consolidated Statement of Income and Retained Earnings

For the years ended December 31, 1968 and December 31, 1967

	1968	1967
Net Sales	$29,648,125	$21,436,477
Cost of Sales	23,775,804	16,987,238
Gross Profit	5,872,321	4,449,239
Selling, General and Administrative Expenses	2,657,826	2,263,584
Operating Income	3,214,495	2,185,655
Other Expenses — Net	138,017	64,222
Net Income before Provision for Federal, State and Foreign Income Taxes	3,076,478	2,121,433
State and Foreign Taxes on Income	227,931	177,756
Federal Taxes on Income	1,300,000	802,000
	1,527,931	979,756
Net Income	1,548,547	1,141,677
Retained Earnings — Beginning of Year	5,321,066	4,525,227
	6,869,613	5,666,904
Cash Dividends Paid —		
$3.00 Prior Preferred — $3.00 per share	7,050	7,589
$4.50 Cumulative Preferred — $4.50 per share	21,707	22,315
Common-1968 — $.391 per share; 1967 — $.333 per share (adjusted to reflect 5% stock dividend — see note 2)	372,725	315,934
	401,482	345,838
Market value of Common Stock issued as a 5% Stock Dividend (including $6,429 paid for fractional shares)	1,699,812	—
	2,101,294	345,838
Retained Earnings — End of Year	$ 4,768,319	$ 5,321,066

The accompanying notes are an integral part of these statements.

OFFICERS

J. W. BROWN
Chairman of the Board

LAWRENCE B. AUSTING
President

JAMES P. FLAUGHER
Vice-President and Secretary

ERIC V. NELSON
Vice-President

W. E. NICHOLS
Vice-President

WALLACE H. PEARSON
Treasurer

GLEASON W. LUNN
Controller

VERNON E. BACHMAN
Assistant Secretary

JOSEPH GLENDYE, JR.
Assistant Treasurer

DIRECTORS

EXECUTIVE COMMITTEE

LLOYD I. MILLER, *Chairman*
President, American Controlled Industries, Inc.

J. W. BROWN
Chairman of the Board
Vulcan Corporation

LAWRENCE B. AUSTING
President
Vulcan Corporation

RAY R. BROWN
Industrial Realtor

WM. T. CRUTCHFIELD
W. E. Hutton Company

FRED A. DOWD
Chairman of the Board
The First National Bank of Cincinnati

J. HOWARD FRAZER
Treasurer, American Controlled Industries, Inc.

BENJAMIN GETTLER
Partner
Brown & Gettler

SELDEN F. HIGH
President
Sullivan Electric Co.

JOHN F. KOONS, JR.
President
Burger Brewing Co.

JOSEPH B. REYNOLDS
Partner
Benj. D. Bartlett & Co.

DR. S. S. ROCKWERN *Physician*

At December 31, 196

— ASSETS —	1968	1967
CURRENT ASSETS:		
Cash	$ 298,478	$ 377,719
Marketable securities — at cost (approximate market value at December 31, 1968 — $10,300)	13,950	13,950
Accounts and notes receivable (less allowance for possible losses in collection — $190,892 in 1968; $ 98,378 in 1967)	4,670,594	4,212,306
Inventories — at lower of cost or market	3,615,188	3,296,505
Prepaid insurance	138,034	130,067
	8,736,244	8,030,547
PROPERTY, PLANT AND EQUIPMENT — at cost:		
Land	156,579	149,240
Timberlands and timber cutting rights	526,958	551,088
Buildings and improvements	3,128,921	2,733,600
Machinery and equipment	7,022,169	5,200,409
Leasehold improvements	150,539	115,403
Total	10,985,166	8,749,740
Less — Accumulated depreciation	5,142,941	4,393,818
	5,842,225	4,355,922
DEFERRED CHARGES AND OTHER ASSETS	631,909	454,077
MODELS AND PATTERNS — at nominal value	1	1
TOTAL	$15,210,379	$12,840,547

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — The consolidated financial statements include the accounts of the parent company and all subsidiaries both in the United States and Canada. In consolidation all intercompany items and transactions have been eliminated.

NOTE 2 — On May 15, 1968 the company paid a 5% common stock dividend to shareholders of record on May 3, 1968. Payment of this dividend resulted in the issuance of 46,714 additional common shares (fractional shares were paid in cash) and the transfer of $1,693,383 from retained earnings of which $11,679 was credited to capital stock and $1,681,704 was credited to capital surplus. Cash paid for fractional shares amounted to $6,429.

NOTE 3 — The increase in capital surplus during the year represents the excess of the market value over the par value of common shares issued as a result of the 5% stock dividend mentioned in note 2, the excess of proceeds over the par value of common stock sold, totaling $6,610, and the net excess of the stated value of preferred stock redeemed over the cost of redemption, amounting to $3,582.

NOTE 4 — At December 31, 1968, there were reserved for employees, under a stock option plan which terminated December 31, 1962, 1,260 shares of the common stock of the company at $3.3095. Options on these shares are currently exercisable. During the year, options for 2,415 shares were exercised. Options expire ten years after date of issuance. All options have been adjusted to reflect the 5% stock dividend mentioned in note 2.

NOTE 5 — Depreciation in the amount of $972,348 and timber depletion in the amount of $20,934 were charged to operations in 1968.

NOTE 6 — The company and certain of its subsidiaries maintain contributory and non-contributory pension plans for eligible salaried and hourly employees. The company's policy is to fund pension cost accrued. The total pension expense for the year, including amortization of prior service costs, amounted to $158,329. Unfunded prior service costs at December 31, 1968 amounted to approximately $720,000. The company anticipates amortization of such prior service costs over a remaining period of 29 years. The actuarially computed value of vested benefits for all plans as of December 31, 1968 was less than the total of the pension funds and balance sheet accruals.

NOTE 7 — During the year the company acquired certain assets of Ripley Industries, Inc. and Gibbs City Lumber Company (February 5, 1968), acquired the assets and assumed certain liabilities of Dix Heel Co., Inc. (July 1, 1968), and acquired all of the issued and outstanding capital stock of Penn Service Heel Company Incorporated (July 1, 1968). The total cost of these

LIDATED BALANCE SHEET

December 31, 1967

— LIABILITIES AND SHAREHOLDERS' EQUITY —	1968	1967
CURRENT LIABILITIES:		
Notes payable — bank and other	$ 1,824,105	$ 653,221
Accounts payable —		
Trade	1,639,622	1,379,036
Other	113,632	93,129
Accrued expenses	799,918	676,646
Accrued federal taxes on income	621,807	499,461
Current portion of long term debt	375,428	788,120
	5,374,512	4,089,613
OTHER LIABILITIES	90,281	63,263
LONG TERM DEBT (Note 9)	2,466,971	2,450,043
SHAREHOLDERS' EQUITY:		
Capital stock		
$3.00 Prior Preferred-stated value $100.00 per share — Authorized 6,641 shares; outstanding 2,292 shares — 1968; 2,486 shares — 1967	229,200	248,600
$4.50 Cumulative Preferred-stated value $55.00 per share — redemption or liquidation value $100.00 per share Authorized 13,281 shares; outstanding 4,731 shares — 1968, 4,884 shares — 1967	260,205	268,620
Common-par value $.25 per share (Note 2) Authorized 1,000,000 shares; outstanding 984,756 shares — 1968, 935,732 shares — 1967	246,189	233,933
Capital surplus (Note 3)	1,980,717	288,821
Retained earnings	4,768,319	5,321,066
	7,484,630	6,361,040
Less-Common stock in treasury — at cost 30,986 shares — 1968, 27,225 shares — 1967	206,015	123,412
	7,278,615	6,237,628
TOTAL	$15,210,379	$12,840,547

acquisitions amounted to $598,392. For accounting purposes these transactions were considered as purchases and accordingly, the accompanying consolidated statement of income includes the results of operations of the acquired businesses from the respective dates of acquisition.

NOTE 8 — The company and its subsidiaries occupy manufacturing and office space under various leases with approximate aggregate annual rentals as follows:

1969	$115,000
1970	100,000
1971	95,000
1972 to 1974	180,000
	$490,000

NOTE 9 — Long term debt consisted of the following:

5½% notes due September 1969	$1,548,313 (a)
6% notes payable to bank in quarterly installments of $62,500, less portion included in current liabilities	500,000
6½% note payable to bank in quarterly installments of $29,500, less portion included in current liabilities	268,500
6¾% mortgage payable to bank due in 1983 in monthly installments, including interest, of $1,194.70, less portion included in current liabilities	126,554
6% mortgage payable to bank due 1977 in monthly installments, including interest, of $310.87	23,604
	$2,466,971

(a) The company has commitments from certain banks for loans to liquidate these notes in 1969, such loans to be repaid in approximately three years from the due date of these notes.

Provisions of loan agreements relating to certain long term debts require the company, among other things, to maintain consolidated net working capital of at least $3,000,000, to obtain the consent of the lenders to create any mortgage or lien upon any assets, and to limit dividends to 50% of net income.

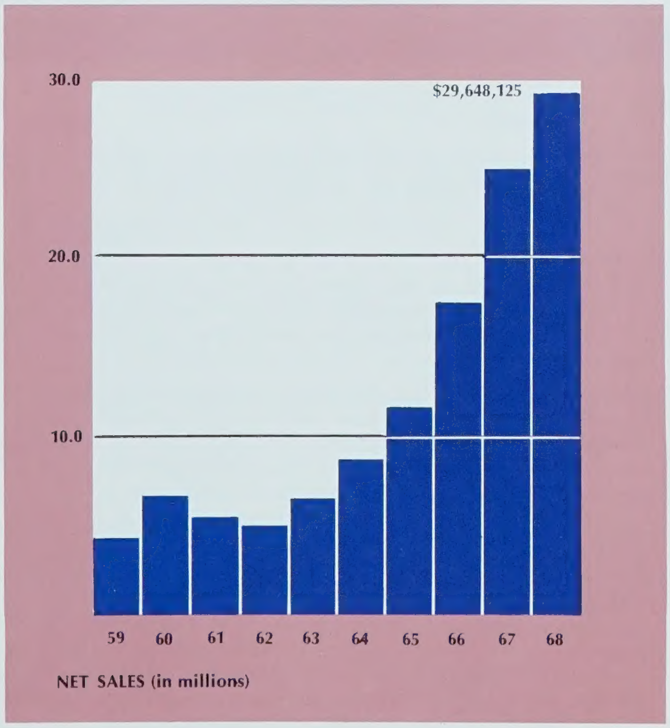
NOTE 10 — The directors of the company have proposed that the maximum number of common shares which the company is authorized to have outstanding be changed from 1,000,000 shares with a par value of 25c per share to 3,000,000 shares without par value. The directors have also proposed to change each of the presently issued and outstanding shares with a par value of 25c per share into two new common shares without par value. These proposals are subject to the approval of the shareholders at their annual meeting on April 9, 1969.

VULCAN CORPORATION AND SUBSIDIARIES 10-YEAR RECORD OF GROWTH

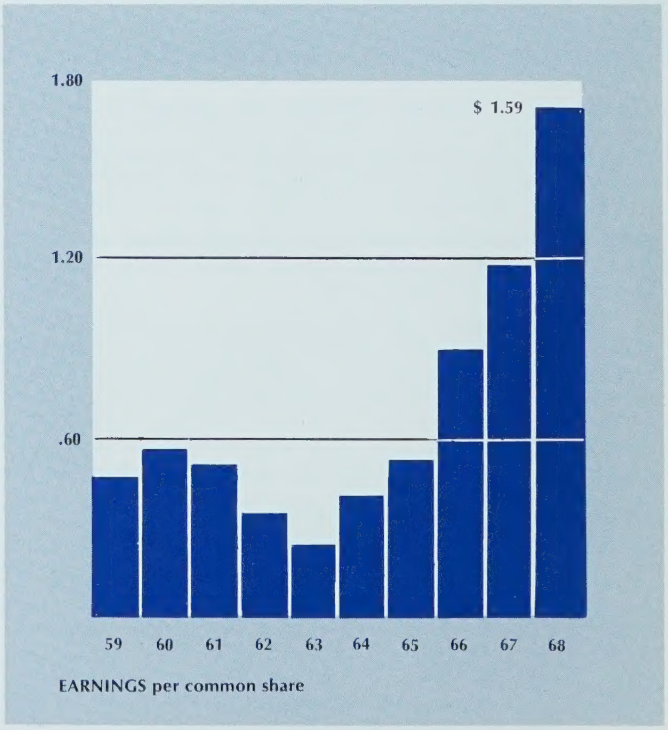
	1968	1967
NET SALES	$29,648,125	$21,436,477
DEPRECIATION	972,348	662,079
EARNINGS BEFORE TAXES	3,076,478	2,121,433
INCOME TAXES	1,527,931	979,756
NET EARNINGS	1,548,547	1,141,677
EARNINGS PER COMMON SHARE*	1.59	1.17
DIVIDENDS PER COMMON SHARE*	.391	.333
TOTAL ASSETS	15,210,379	12,840,547
PROPERTY, PLANT AND EQUIPMENT	5,677,961	4,175,870
CURRENT ASSETS	8,736,244	8,030,547
RATIO CURRENT ASSETS TO CURRENT LIABILITIES	1.63 to 1	1.96 to 1
TOTAL SHAREHOLDERS' EQUITY	7,278,615	6,237,628

*Reflects 5% stock dividend paid May 15, 1968, two-for-one stock split effective June 2, 1967, and two-for-one stock split effective April 28, 1961.

SALES



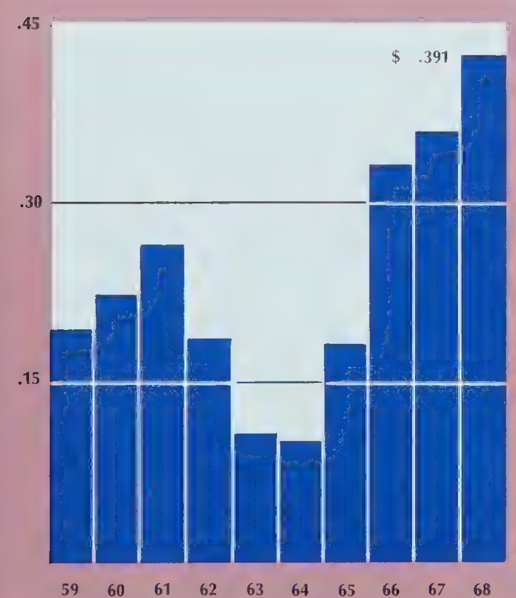
EARNINGS



1966	1965	1964	1963	1962	1961	1960	1959
15,002,912	$11,813,997	$ 9,881,967	$ 8,278,869	$ 7,738,430	$ 7,862,244	$ 8,328,173	$ 6,969,84[illegible]
481,308	409,427	460,033	436,869	367,580	184,738	159,358	146,780
1,371,081	835,692	511,921	269,984	409,249	1,028,138	1,211,310	871,85[illegible]
575,034	343,881	186,949	85,200	101,330	488,050	633,475	366,35[illegible]
796,047	491,811	324,972	184,784	307,919	540,088	577,835	505,504
.81	.49	.30	.15	.28	.52	.56	.49
.274	.167	.095	.095	.202	.274	.238	.190
10,368,248	6,244,622	5,675,341	5,749,431	5,133,155	4,940,584	4,771,104	4,346,925
3,448,570	1,904,625	1,692,774	1,882,100	1,791,755	1,410,810	1,375,563	1,256,149
6,498,824	4,066,299	3,635,277	3,329,148	2,851,258	3,048,325	2,995,256	2,536,940
2.71 to 1	3.37 to 1	4.38 to 1	2.87 to 1	5.04 to 1	6.89 to 1	6.31 to 1	8.06 to 1
5,422,552	5,000,838	4,776,442	4,590,125	4,567,499	4,498,610	4,296,202	4,032,302

Per share earnings have been computed in accordance with currently accepted practice on the basis of the average number of shares outstanding during the year.

DIVIDENDS



DIVIDENDS per common share

J. D. CLOUD & CO.

CERTIFIED PUBLIC ACCOUNTANTS
TRI-STATE BUILDING
CINCINNATI
MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

To the President and Board of Directors
Vulcan Corporation
Cincinnati, Ohio

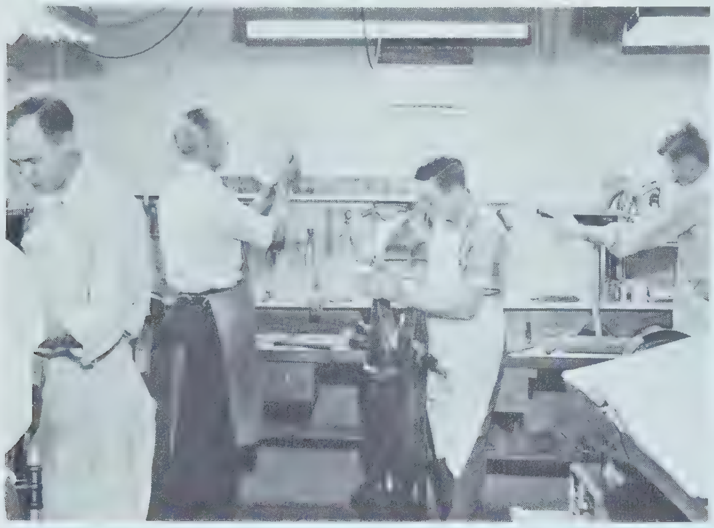
We have examined the consolidated balance sheet of Vulcan Corporation and subsidiaries as of December 31, 1968 and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the preceding year.

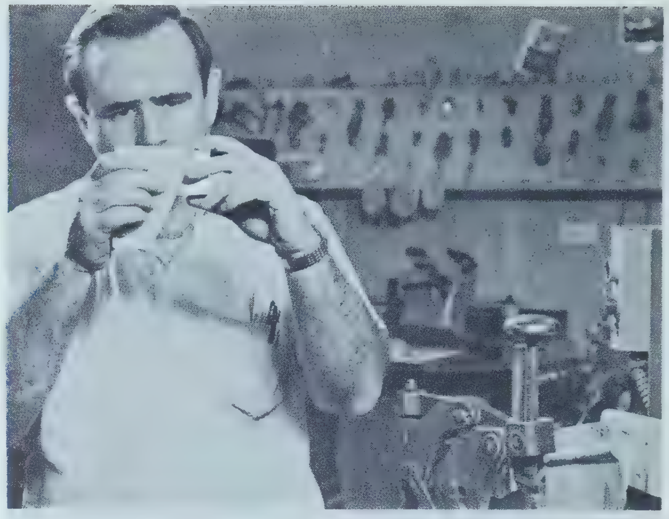
In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the consolidated financial position of Vulcan Corporation and subsidiaries at December 31, 1968 and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. D. Cloud & Co.
Certified Public Accountants

Cincinnati, Ohio
February 25, 1969

Last modelmakers create original models interpreting style concepts of the shoe manufacturer and incorporating design criteria for proper fit and consumer comfort.

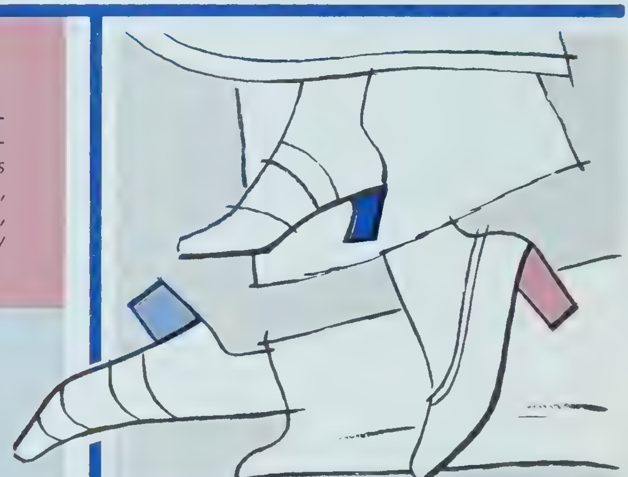


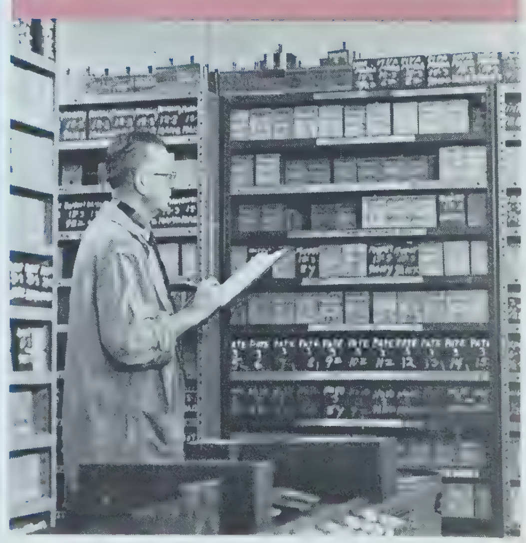


Craftsmen create precision heel models interpreting new fashion trends. Stainless steel heel molds are made for the volume production of injection molded plastic heels.

STYLE / FIT / COMFORT

Lasts are the foundation over which shoes are constructed — the indispensable form from which the shoe derives both shape and fit. Because the basic shoe style is established by the shape of the last, it has always received prime attention from the shoe stylists. In recent years, and particularly in 1968, our other major product for the Shoe Industry, women's heels, has moved to the forefront of fashion to the extent they dominate the styling of shoes more than any other component.





Director of Bowling Pin Sales, G. M. Ziepfel, (right), talking with Frank K. Baker, Executive Secretary-Treasurer, American Bowling Congress, and William Brooks, ABC Tournament Director, (left), in Vulcan display booth at 1968 ABC Bowling Tournament held in Cincinnati's Convention and Exposition Center. Display was seen by more than 30,000 bowlers and 200,000 spectators during the 75-day tournament. This same display was also seen by thousands during the International Trade Fair sponsored by the U.S. Department of Commerce in Cincinnati, and at the National Bowling Proprietors Association Convention in Las Vegas.

One of advertisements run in national bowling publications promoting the Vulcan Nyl-Tuf Supreme bowling pin and its companion brand, Dura-Mark, acquired in 1968.

Mold storage vault at Lawrence, Massachusetts plant. Approximately $5,000,000 worth of heel molds for producing heels in a variety of shapes and sizes, unmatched anywhere in the world, are stored in rooms such as these awaiting the production demands of shoe manufacturers.

The Cincinnati Post

TIMES AND STAR

VOL. 87 NO. 287 THURSDAY, DECEMBER 12, 1968

Today's Business

Dollars Roll In On Heels, Lasts And Bowling Pins

BY WILLIAM STYLES

The Vulcan growth story was featured in a front page article by William Styles, Business Editor of The Cincinnati Post & Times-Star, December 12, 1968, shortly after J. W. Brown, Chairman of the Board, addressed The Cincinnati Society of Financial Analysts.

VULCAN CORPORATION PLANT / OFFICE LOCATIONS

1. Amesbury, Massachusetts.....Plastic Heel Molding
   Heel Finishing
2. Antigo, Wisconsin.................Bowling Pins
3. Blanchester, Ohio ....Lasts
   Plastic Heel Molding
4. Empire State Bldg., New York City ......Style Salon
5. E. Bridgewater, Massachusetts..............Lasts
6. E. Rochester, New Hampshire.......Heel Finishing
7. Hancock, Michigan................Bowling Pins
8. Hanover, Pennsylvania............Heel Finishing
9. Johnson City, New York...................Lasts
   Heel Turning & Finishing
10. Kenton, Tennessee........................Lasts
    Plastic Heel Molding
11. Lawrence, Massachusetts......Plastic Heel Molding
12. Los Angeles, California............Heel Finishing
13. Montreal, P. Q., Canada... Style Sales Office
    Heel Turning, Molding & Finishing
14. Preston, P. O., Canada.....................Lasts
15. Portsmouth, Ohio..............Remodeled Lasts
    Heel Finishing
16. Quebec, P. Q., Canada............Heel Finishing
17. St. Louis, Missouri.............Style Sales Office
18. South Charleston, Ohio.......Wood Heel Turning
19. Stoughton, Massachusetts..................Lasts
    Remodeled Lasts
20. Streetsville, P. O., Canada..........Heel Finishing
21. Vandalia, Illinois.................Heel Finishing
22. Walnut Ridge, Arkansas....Lasts, Remodeled Lasts

RESEARCH AND DEVELOPMENT......1130 Sycamore Street, Cincinnati, Ohio

HEALTH AND SAFETY......Edison Street, Antigo, Wisconsin

EXECUTIVE — SALES — ENGINEERING OFFICES......SIX EAST FOURTH STREET, CINCINNATI, OHIO

Woodard and Wright Last Corp., E. Bridgewater, Mass. □ The Great Western Heel Co., Inc., Los Angeles, Calif. □ F. W. Stuart Co., Inc., Stoughton, Mass. □ Amesbury Plastics, Inc., Amesbury, Mass. □ The Canada Last Co., Ltd., Preston, P. Q., Canada □ Brockton Last Remodeling Corp., Stoughton, Mass. □ The George E. Belcher Co., Stoughton, Mass. □ Morton Last Co., Portsmouth, Ohio □ Penn-Vulcan Heel Co., Hanover, Pa.

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Annual Report

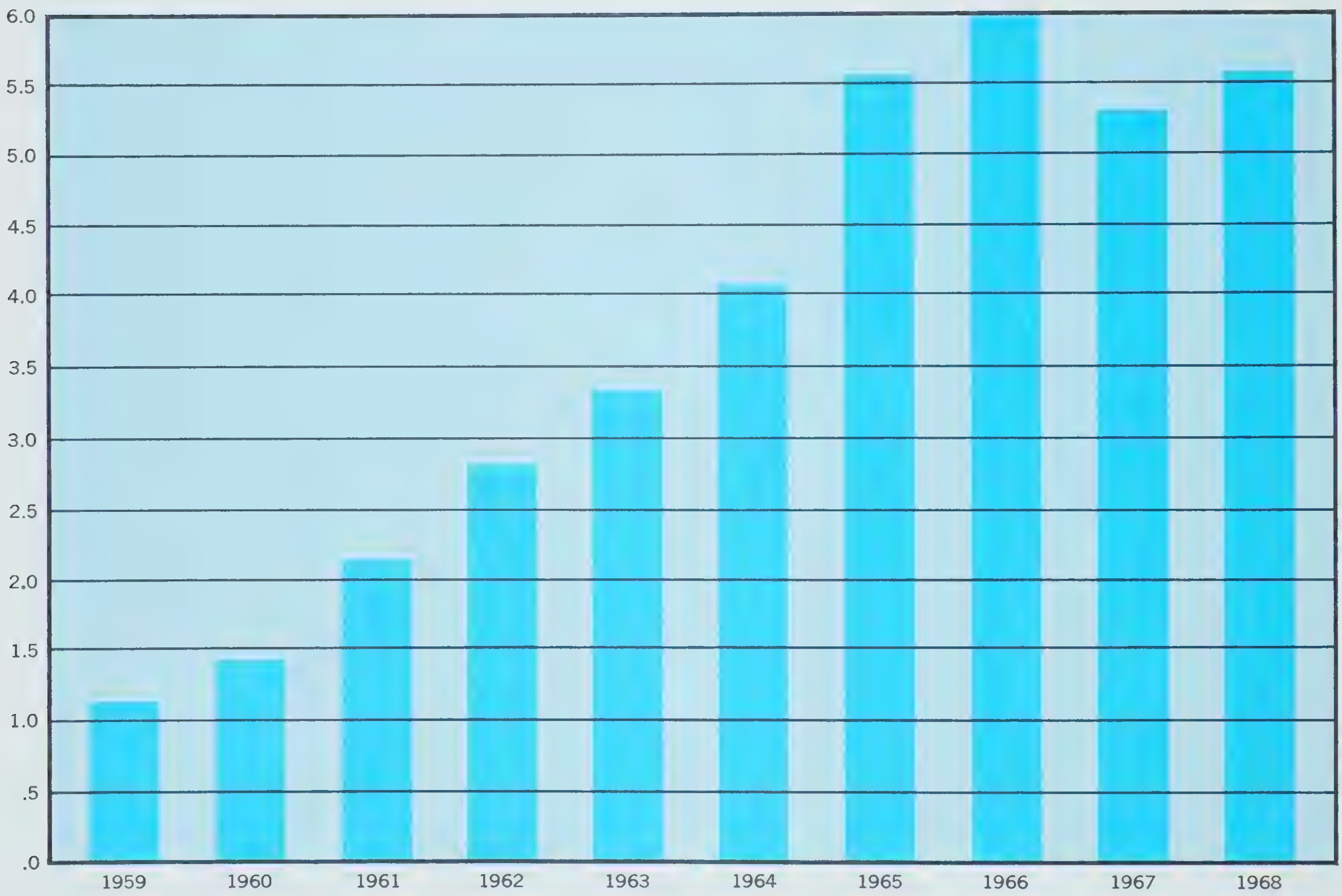
Vulcan Containers (Canada) Limited

Vulcan is one of the few organizations in North America to have four modern integrated plants capable of processing steel from coil mill steel to finished lithographed shipping container.

Three plants are located in the same industrial area on the North-western limits of Toronto. Total plant area; 136,000 square feet. We also have a container plant in North Surrey – near Vancouver, B.C.

VULCAN

Net Sales 1959—1968



To the Shareholders

In our Annual Report for 1967, we established a sales target of $5,800,000 for the year of 1968. We also advised that sales increases in 1968 would be mainly due to price adjustments in the container divisions and the Metal Decorating division. We anticipated a further improvement in the profit level of all divisions in the year 1968.

SALES

Over-all operations in 1968 were $5,572,139 as compared to $5,301,276 in 1967.

GROSS PROFIT

Gross profit, before depreciation, interest and taxes, amounted to $621,296 in 1968 as compared to $410,280 in 1967 and $296,221 in 1966.

NET PROFIT

Profits, before income taxes, were $318,053 in 1968 as compared to $136,028 in 1967 and $30,102 in 1966. After a provision for taxes payable for 1968 and a tax reduction applicable to future years of approximately $162,000, the net profit transferred to surplus amounted to $156,053, or 38¢ per share as compared to 18¢ in 1967 and 6¢ in 1966.

Labour contracts for the container divisions have one year to run in Toronto and two years in Vancouver. A new contract with the Lithographers Union was completed in November, 1968 and provision for this contract has now been projected into our 1969 budget.

A sales forecast of $5,850,000 for the year 1969 has been projected and with a tight control of expenses and increased operating efficiencies, we expect further improvement in the profit level of all divisions for the year of 1969.

This report would not be complete without a tribute to our employees for their efforts during the past year. To all management and staff, the Board of Directors say "Thank you".

Respectfully submitted

Norman G. Benecke

President

Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
FUNDS PROVIDED:		
From operations		
Net profit for the year	$ 156,053	$ 73,763
Provision for depreciation	196,891	178,663
Provision for future income taxes	76,000	54,215
Increase in long-term leases	—	292,500
Decrease in deferred finance charges	2,980	—
TOTAL	$ 431,924	$ 599,141
FUNDS APPLIED:		
Deferred finance charges	$ —	$ 50,764
Additions to fixed assets (net)	220,981	240,212
Additions to other assets	956	3,842
Reduction in long-term debt (net)	116,963	260,962
Dividends paid	40,671	40,671
TOTAL	$ 379,571	$ 596,451
Net increase (decrease) in working capital	$ 52,353	$ 2,690
Working capital at beginning of year	533,723	531,033
Working capital at end of year	$ 586,076	$ 533,723

Auditors' Report

To the Shareholders, Vulcan Containers (Canada) Limited.

We have examined the consolidated balance sheet of Vulcan Containers (Canada) Limited and its subsidiaries as at December 31, 1968 and the consolidated statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRAY, BUTCHER, FROST and COMPANY Toronto, Canada
Chartered Accountants February 21, 1969

Consolidated Statement of Profit and Loss and Earned Surplus

for the year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
Net sales	$5,572,139	$5,301,276
Profit for the year before the following	$ 704,296	$ 483,780
Officers' salaries	$ 83,000	$ 73,500
Depreciation	196,891	178,663
Interest on long-term debt	106,352	95,589
	$ 386,243	$ 347,752
Profit before income taxes	$ 318,053	$ 136,028
Income taxes		
Taxes payable for the year	$ 86,000	$ 8,050
Current year's tax reductions applicable to future years (note 5)	76,000	54,215
	$ 162,000	$ 62,265
Net profit for the year	$ 156,053	$ 73,763
Earned surplus balance at beginning of year	350,706	317,614
	$ 506,759	$ 391,377
Dividends	40,671	40,671
Earned surplus balance at end of year	$ 466,088	$ 350,706
Earnings per share	38¢	18¢

Consolidated Balance Sheet

December 31, 1968

(with comparative figures as at December 31, 1967)

Assets

	1968	1967
CURRENT:		
Cash	$ 161,390	$ 31,511
Accounts receivable	482,431	434,990
Inventories — at the lower of cost or market (note 1)	960,326	1,000,989
Prepaid expenses	71,940	65,400
Portion of deferred finance charges due within one year	18,611	14,859
TOTAL CURRENT ASSETS	$1,694,698	$1,547,749
Deferred finance charges (note 4)	$ 66,395	$ 65,623
Less portion due within one year	18,611	14,859
	$ 47,784	$ 50,764
FIXED (note 2):		
Land, buildings, plant machinery and equipment as appraised by Canadian Appraisal Company Limited July 25, 1961 — at depreciated replacement value	$1,066,338	$1,066,338
Subsequent additions — at cost	2,667,906	2,439,835
	$3,734,244	$3,506,173
less: Accumulated depreciation	996,062	792,081
	$2,738,182	$2,714,092
OTHER — at cost:		
Cash surrender value of life insurance	$ 26,778	$ 25,822
Employee stock plan	1,248	1,248
Re-organization expense	23,350	23,350
	$ 51,376	$ 50,420
	$4,532,040	$4,363,025

On behalf of the Board:

Norman G. Bernecker, *Director*

Albert J. Cavan, *Director*

Liabilities and Shareholders' Equity

	1968	1967
CURRENT:		
Accounts payable and accrued charges	$ 846,641	$ 776,176
Estimated income taxes payable	63,820	2,783
Other taxes payable	20,661	15,467
Portion of long-term debt due within one year	177,500	219,600
TOTAL CURRENT LIABILITIES	$1,108,622	$1,014,026
LONG-TERM DEBT:		
Bank loans (secured) payable $100,000 annually (note 3)	1,000,000	$1,100,000
Notes payable to affiliated company — 6%, due May 4, 1968	—	55,000
Mortgage payable — 7%, due December 1, 1974	46,849	52,118
Leases payable in equal monthly instalments of $6,115 (Note 4)	252,313	251,107
	$1,299,162	$1,458,225
less: Portion due within one year	177,500	219,600
	$1,121,662	$1,238,625
TOTAL LIABILITIES	$2,230,284	$2,252,651
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (note 5)	$ 311,600	$ 235,600
SHAREHOLDERS' EQUITY:		
Capital stock: Authorized, 1,000,000 common shares of no par value Issued and fully paid 406,710 common shares	$ 760,003	$ 760,003
Excess of appraised value of fixed assets over depreciated cost at July 25, 1961	764,065	764,065
Earned surplus	466,088	350,706
	$1,990,156	$1,874,774
	$4,532,040	$4,363,025

The accompanying notes to the consolidated financial statements are an integral part hereof.

Notes to Consolidated Financial Statements

December 31, 1968

1. Inventories

Raw materials — at cost . .	$587,046
Work in process — at cost . .	199,552
Finished goods — at selling price less normal gross profit	173,728
	$960,326

2. Fixed assets

	Depreciated Replacement Value July 25, 1961	Subsequent Additions at cost	Accumulated Depreciation Based on cost
Land..........	$ 95,000	$ 79,965	$ —
Buildings......	193,030	722,293	221,066
Plant machinery and equipment..	778,308	1,865,648	774,996
	$1,066,338	$2,667,906	$ 996,062

Depreciation charged to operations is based on:
Buildings — 5% of diminishing balance on cost
Plant machinery and equipment — 15% of diminishing balance on cost

3. Bank loans — secured by a general assignment of book debts, a 7¾% demand first mortgage bond for $1,000,000 (principal outstanding — $500,000) and a 7¼% first floating charge debenture for $500,000.

4. Long-term leases payable — As a method of financing, the company has entered into lease agreements relating to certain items of plant machinery and equipment. These assets are recorded in the accounts even though title does not rest with the company. It is the company's intention to obtain title at the expiration of the lease agreements by exercising purchase options for nominal consideration in the year 1972. In 1968 $17,985 in Finance Charges has been shown as interest on long-term debt.

5. Accumulated tax reductions applicable to future years — This is the amount by which incomes taxes otherwise payable have been reduced by claiming for tax purposes capital cost allowances in excess of the depreciation recorded in the accounts. This amount will be amortized over the years where the depreciation claimed for tax purposes will be less than that recorded in the books of the company.

VULCAN

Directors and Officers

Directors

Vern Irwin McCarthy, Sr. . . . . . . Westchester, Ill.

Norman George Bernecker . . . Islington, Ontario

Duane Starin Wright, Jr. . . . . . Islington, Ontario

Albert J. Cavan, Q.C. . . . . . . Etobicoke, Ontario

Officers

Vern Irwin McCarthy, Sr. . . . Chairman of Board

Norman George Bernecker . . . . President

Duane Starin Wright, Jr. . . . . Vice-President

George Robert Zies . . . . Secretary

Marjorie L. Bernecker . . . . Treasurer

Auditors

Gray, Butcher, Frost & Co. . . . Toronto, Ontario

Registrar and Transfer Agent

The Royal Trust Company — Toronto, Ontario

Vancouver, B.C.

Winnipeg, Man.

List of Plants and Offices

Vulcan Containers (Canada) Limited,
15 Bethridge Rd., Rexdale, Ontario
Telephone: 241-8632

Vulcan Containers (Canada) Limited,
8400 - 124th St., North Surrey, B.C.
Telephone: 594-0484

Vulcan Containers (Canada) Limited,
1 Van Horne Ave. W.,
Montreal 14, Que.
Telephone: 272-2811

Metal Decorating Limited,
44 Bethridge Rd., Rexdale, Ontario
Telephone: 241-8639

Rexsteel Division,
15 Bethridge Rd., Rexdale, Ontario
Telephone: 247-7849

Agents for Prairie Provinces:

Robinson & Webber Limited,
185 Bannatyne Ave., Winnipeg, Manitoba
Telephone: Whitehall 2-7574

Representing:

Manitoba • Saskatchewan • Alberta